An Analysis of the difference ability of core and non-core cash flows

from operations in predicting the future cash flows

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Yogyakarta, June 15, 2005

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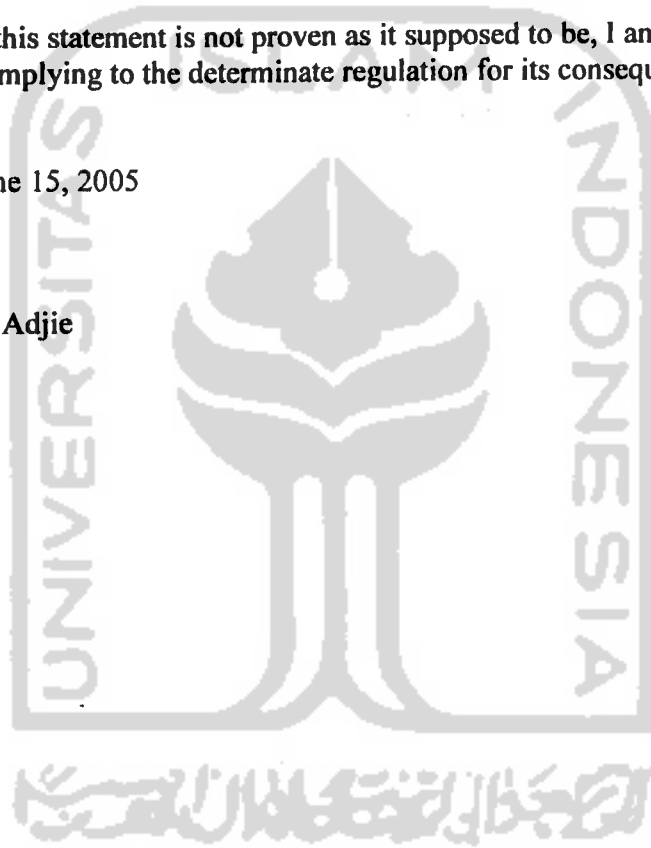
Acknowledgment

Bissmillahirrohmanirrohiim

Alhamdulillahirabbil'alamiin, First of all, praise to Allah SWT for all the blessings, spirit, health, protections to me and chances so that this thesis can be completed. *Shalawat* and *salaam* for the prophet Muhammad SAW, the greatest inspiration.

The researcher takes this opportunity to express sincere appreciation to individuals who have made significant contributions to the completion of this thesis writing. My sincere appreciation goes to Mr. Hadri Kusuma, Dr., MBA, my content advisor for his helpful for giving the spirit, comments and advice during my thesis writing. Thanks to make me became new student that have new knowledge from you, thanks to solve the problems appear during my thesis writing with clear explanations, so that make it easy to understand and try learnt more. Then I also present special thanks to Mbak Widayasari my language advisor for her time, suggestions, comments, and advice to make me more understand about grammar.

Also I would like to extend my appreciation to Mr. Asmai Ishak, Drs., M.Bus., as Director of International Program, Mr. Suwarsono Muhammad, as the Dean of Economics Faculty, Islamic University of Indonesia, Mrs. Yuni Nustini, and all academic staff of International Program for the cooperation they give to me during my study in International Program. I would like to extend my gratitude to all lectures in Economic Faculty Islamic University of Indonesia for the knowledge, motivation

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CHAPTER II: REVIEW OF RELATED LITERATURE

CHAPTER III: RESEARCH METHOD

CHAPTER IV: RESEARCH FINDINGS AND DISCUSSIONS

ABSTRAK

Adjie, Andry Kusuma (2005). Kemampuan Analisa kemampuan Komponen inti dan Bukan inti Pada Arus Kas Operasi dalam Memprediksi Arus Kas di Masa Datang. Yogyakarta. Fakultas Ekonomi. Universitas Islam Indonesia.

Penelitian ini mencoba untuk meneliti kemampuan arus kas operasi saat ini untuk memprediksi arus kas masa datang dan kemampuan komponen arus kas dari kegiatan operasi (komponen inti dan komponen bukan inti) untuk memprediksi arus kas masa datang pada perusahaan manufaktur yang listing di Bursa Efek Jakarta periode 1995-2002. Penelitian ini juga mencoba untuk meneliti perbedaan tingkat kelangsungan antara arus kas dari kegiatan operasi pada tahun berjalan dan komponen – komponen akrual untuk memprediksi arus kas masa datang, serta mencoba membuktikan bahwa komponen – komponen arus kas memberikan tambahan informasi melebihi komponen – komponen akrual dalam memprediksi arus kas di masa datang.

Penelitian ini mengusulkan model peramalan arus kas yang membedakan kas flow dari kegiatan operasi menjadi komponen arus kas inti dan bukan inti berdasarkan recomendasi AICPA, di Indonesia.

Studi menggunakan model regresi linear dengan kumpulan arus kas di masa datang sebagai variable terikat. Dari penelitian ini, dapat kita tarik kesimpulan yang sesuai dengan recomendasi AICPA. Penelitian ini mendapatkan bahwa kumpulan arus kas dari kegiatan operasi pada tahun berjalan memiliki kemampuan untuk memprediksi arus kas di masa datang. Dan dengan menjabarkan arus kas dari kegiatan operasi, ditemukan bahwa komponen arus kas dari kegiatan operasi memiliki kemampuan yang berbeda – beda dalam memprediksi arus kas di masa datang. Dengan menjabarkan akrual dalam model peramalan dan keseluruhan arus kas dari kegiatan operasi pada arus kas masa datang akan didapat kesimpulan bahwa keseluruhan arus kas dari kegiatan operasi memberikan tambahan informasi melebihi komponen – komponen akrual dalam memprediksi arus kas di masa datang. Dan dengan menjabarkan komponen arus kas dari kegiatan operasi dan menjabarkan komponen akrual terhadap arus kas di masa yang akan datang akan membuktikan bahwa komponen arus kas memberikan informasi melebihi komponen – komponen akrual dalam memprediksi arus kas di masa datang.

Kata Kunci: *Arus Kas, Komponen Akrual, Laporan Arus Kas, Arus Kas dari Komponen Inti, Arus Kas dari Komponen Bukan Inti, Metode Langsung dalam Penyajian Arus Kas, Metode Tidak Langsung dalam Penyajian Arus Kas, Total Assets.*

In 1991, the AICPA formed a special Committee on Financial Reporting to address concerns about the relevance and usefulness of business reporting (AICPA). Standard-setters, regulators, and many others have devoted considerably resources to maintaining and improving the relevance reliability of financial reporting. Given the central importance of core earnings to financial statement users such as Revsine (1999); Jonas and Blanchet (2000); Wild (2000).

In Indonesia, research that related to the content of components cash flows already used by Triyono (1998), Hastuti and Sudibyo (1998), and Suadi (1998), but the research related with earnings to predict future cash flows used by Parawiyati and Baridwan (1998), the research which is mention the cash flows and earnings is good predictor in predict the future cash flows. This research indicated that earnings information and cash flows are accounting information that will be used as comparable in decision –making for the analyze, investor, and manager to know the performance of the company. This research had 288 sample financial report of manufacturing company that list in Bursa Efek Jakarta (BEJ) for period 1989- 1994.

Kusuma (2001) also makes a research to compare the ability of earnings and cash flows information in predicting the future cash flows by using 2623 companies listed in Australian Stock Exchange as the sample within 1992-1997. This research uses cash flows from operation as the dependent variable and cash flows from operations and earning one or two years before as independent variable. The result is that there is no superiority between both earnings and cash flow as predictor to the future cash flow.

Chapter III : Research Method

Research method provides description about research design, variables, research period, data selection and sampling, and hypothesis testing.

Chapter IV : Analysis and Discussion

Analysis and discussion expose the result of the analysis and a mean to test the hypothesis, discussion about analysis result, qualitatively and quantitatively, and result interpretation.

Chapter V : Conclusions and Recommendation

Conclusions will be obtained from data analysis in previous chapters, Limitation and recommendation for future research will also be given.
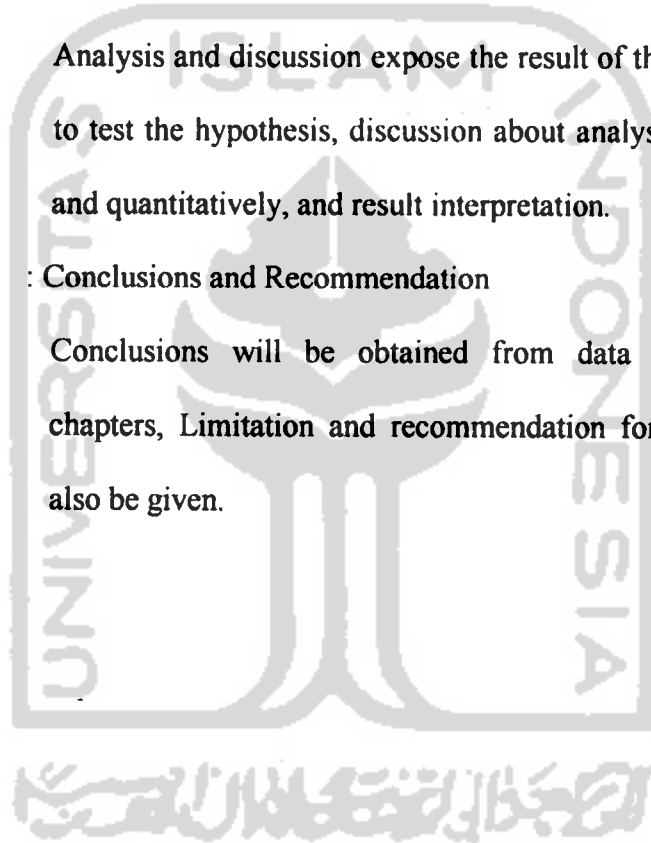
effects of changing prices. Financial statement does not include such items as reports by directors, statements such items as reports by directors, statements by the chairman, discussion and analysis by management and similar items that may be included in a financial or annual report.

2.1.1 The Objective of Financial Statement

The overall objective of financial reporting is to provide information useful for economic and business decisions (e. g; investment and credit decisions) (IASC, 1994 para.12 and FASB, 1978 para. 9). Financial statements should conform to financial accounting standards issued by standards setting bodies. The standards are developed based on the conceptual (theoretical) framework of financial accounting. As Gaa (1988), Wolk and Tearney (1997), believes the conceptual framework embodies aspects of theory of accounting as well as of constitution. PSAK No: 1 (1998) the general purpose of financial statement is to give information's about the financial position, performance and cash flows of the company that will be useful for several users of financial statement in making economic decisions and showing the management stewardship as using of their sources that they used.

In Indonesia, the conceptual framework and the financial standards are issued by the IASC. The standards are to be used by publicly held firms that file their financial statements with the BAPEPAM (a government agency similar to the SEC). In making financial statements useful, the assumption is that the IASC's assertions

of enterprise, determine taxation policies and as the basis for national income and similar statistics.

g) **Public**. Enterprises affect members of the public in a variety of ways. For example, enterprises may make a substantial contribution to the local economy in many ways including the number of people they employ and their patronage of local suppliers.

2.1.3 Qualitative Characteristics of Financial Statements

PSAK No: 1 (1998) Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are relevance, understandability, reliability, comparability and materiality. The FASB Concept Statement No:2 has identified the qualitative characteristics of accounting information that distinguish better (more useful) information from inferior (less useful) information for decision making process.

a) **Relevance**

To make it useful, information must be relevant to the decision making needs of users. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations. Relevance is defined as capable of making a difference in a decision by helping users to form predictions about the outcomes of past, present, and future events or to confirm or correct expectations.

b) Understandibility

Is the quality of information that permits reasonably informed users to perceive its significance? An essential quality of the information provided in financial statements is that is readily understandable by users. For this purpose, users are assumed to have reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. However, information about complex matters that should be included in the financial statements because of its relevance to the economic decision making needs of users should not be excluded merely on the grounds that it may be too difficult for certain users to understand.

c) Reliability

Accounting information is reliable to the extent that it is verifiable, is a faithful representation, and is reasonably free of error and bias. Reliability is a necessity for individuals who have neither the time not the expertise to evaluate the factual content of the information. Verifiability is demonstrated when independent measurers, using the same measurement methods, obtain similar results. For examples, there are several independent auditors come to the same conclusions about a set of financial statements. If outside parties using the same measurement methods arrive at different conclusions, then the statements are not verifiable. Auditors could not render an opinion on such statements.

Cash flows statement report the cash inflow, payment of cash and net change of cash coming from operating activity, investment and financing from a company during period in a format which reconciliation of beginning balance final balance and (Keiso, 1995). Sum up the cash flow coming from operating activity for to represent the indicator determining whether from its operation company can yield the cash flow which is last for paying loan, looking after ability operate for the company, paying dividend and conduct the new investment without relying on financing source from outside. Information of concerning current element historical cash along with other information, useful in predict of operating future cash flows.

At paragraph clarification 05 PSAK No.2 gives the operation activity definition, investment activity and the following financing activity

"**Operating activity** is especial producer activity of company earnings (principal revenue-producing activities) and other activity representing investment activity and financing activity. **Investment activity** is acquirement and long-run asset release and also other investment is which do not the inclusive of equivalent of cash. **Financing Activity** is activity resulting the change in amount and also composition of capital and company loan".

A. Cash flows from operating activities

Cash flow coming from operating activity of the company obtained from special production activity of company earnings. Therefore, the cash flow generally comes from transaction and other event that influenced clean profit and loss balances stipulating.

There are some examples of cash flow from operating activity, those are:

Cash inflow from sale of service and goods

- Cash inflow from royalty, fee, commission, and other income

- Cash payment from supplier of goods and services

- Cash payment for the employee

- Cash inflow and cash payment by insurance company of referring to premium, claim, annuity, and other benefit insurance.

- Cash payment or cash restitution income tax except if can be identified particularly as part of financing activity and investment.

- Cash inflow and cash payment from contract which is performed for the purpose of business transaction and commerce.

Security companies have the securities to be commercialized so it will be equal to supply bought to be re-sold. Therefore, cash flow coming from purchasing and sale in transaction or the securities trading can be classified as operating activity which is the same as with the credit purchasing by financial institution. It also has to be classified as operating activity, because it is related to special income activity of the financial institution.

B. Cash flow form investment activities

Separate disclosure of cash flow coming from investment activity requires to be done because that cash flow reflects to the cash inflow and cash outflow. Referring to resources which aim to yield the earnings and future cash flow.

- Loan redemption

- Cash Payment by leysore to decreasing the obligation balance that related to rent of tenure by long lease payment.

To report cash flows statement different from the other fundamental financial statement. First, Cash flow statement is not made from the Trial Balance, but it needs detail information which deals with certain account balance change that happened among two periods. Second, cash flows statement is related to the cash inflow and cash payment, so that conception the accrual is not used in preparing cash flows. Information used for the making of cash flow comes from three sources, those are:

1. Balance from continuing period

    By conducting comparative balance from two obtainable continuing periods we can get information which deals with amount of change an asset and change of obligation and capital change from early period to last period.

2. Profit loss report

    This report can help the users of financial statement to determine the cash amount yielded and to run the operation company activity during one period.

3. Additional another information's

    It is the additional Information including the data which is needed to determine how cash yielded or used during one period.

FASB in its statement in SFAS-95 enables the company to choose to report the cash flow operation for by using (1) indirect method or (2) direct method. Indirect

giving the supplementary information at capital market. Prediction of future cash flow represents the assistive important information of decision making to all users in context theory. According to Bowen et.al. (1986b), data of accountancy accrual earns the functioning give information to: 1) predict of signs danger in the field of finance, 2) knowing risk, size measure and scheduling of credit decision, 3) predict credit rating, 4) assess company performance and, 5) present supplementary information in capital market.

Belkaoui and Jones (1996) said that all the available systems of financial reporting, cash-flow accounting is one of the most objective and understandable. It attempts to state facts in financial-accounting terms, without the accountant having to become involved in making subjective judgments as to which period the data relate. And it is expressed in terms that should be familiar to all non-accountants-cash resources and flows are things that anyone in developed economy has to administer from day to day. Thus, cash-flow reports are potentially comprehensible, a matter that increasingly concerns to accountants as the number of report users and groups increases year by year.

2.2.2 The Method of Cash Flow Reporting

PSAK No: 2 (1994), explained the reporting cash flow statements from operating activities that should use two methods which are direct and indirect. Direct method uses core components from revenue of bruto cash and cash bruto expenditures. While indirect method uses profit or loss which is adapted for

correction influence by another transaction, this method is yielded information that will be used to estimate future cash flows that can not be resulted by direct method. Right now the cash flow statement presents the information concerning cash change and equivalent of cash during one period the information can be classified pursuant for operating activity, investment and financing. From third information group presented maybe, information from operating activity represents all important factors for most this information consumer needs.

There are two methods in reporting the cash flow from operating activity, those are direct method and indirect method. At paragraph 50 it is mentioned that:

> "With the direct method especial group from cash inflow of bruto and cash expenditure laid open, or indirect method of profit or net loss adapted for to correct the influence from transaction of non cash, deferral or accrual from acceptance and cash payment to operate for the past and future, and unsure of production or burden related to cash flow of activity of investment and financing."

Based on the direct method of cash flow from operating activity are the difference of between cash inflow and cash expenditure from operating activity, so that direct method referred as called as method of profit and loss report (Kieso & Weygandt, 1995:1236). While at indirect method of cash flow from operating activity obtained by adjustment of net profit with the earnings and burden of non cash and also advantage and disadvantage of non operation. PSAK No.2 does not oblige to use one of method. SFAS No.95 gives the choice to company in using the direct method or indirect method , but if company uses the direct method in reporting the operating activity operate for obliged to present the reconciliation of net profit for showing the

importance of core earnings to financial statement users Beaver (1981); Revsine et al. (1999); Jonas and Blanchet (2000); and Wild et al. (2000), and the recommendation of the AICPA Committee and Financial analyst, the distinguishment between core and non core cash flows should also be of central importance to financial statement users. This research examines the role of core and non core cash flow components in predicting future cash flows. This research focuses on a key dimension of relevance to users of financial statements whether core and non core components of cash flows significantly enhance predictive ability relative aggregate cash flows. In other words this research predicts that components of cash flows (core and non core) persist differentially in predicting future cash flows and improving cash flow predictability.

The study of Barth et al. (2001) in research Cheng and Hollie (2004) examines the association between current period cash flows and current period accrual component on future cash flows. They disaggregate accruals and show that earnings superiority for predicting future cash flows stems from disaggregating earnings into aggregate cash flows and components of accruals. They argue that various accrual components of earnings capture different information about delayed cash flows related to past transactions, which affect cash flow prediction. Their findings also reveal that the components of accruals do play a significant role in the prediction of future cash flows. This contributes to the literature by examining what role components of cash flows play in predicting future cash flows.

other expenses. Researcher defines the core and non- core cash flows in parallel with the classification in the income statement. It means that the classification has close relation with the definition income core and non core, example interest is reported as a non operating item in the income statement so researcher define cash flows related interest as non core. And also if the cash flows operation related with the core income so researcher define as core cash flow from operations. The capability of two components (core and non core) is different such as influence by the routinely the core cash flow happen, it means the core cash flow is happen more often than non core cash flow and also the core cash flow is more related with the core income. Therefore, **Hypothesis 2**: Cash flow components (core and non core) have different persistence level in predicting the future cash flows.

Barth, Cram, and Nelson (2001) in Cheng and Hollie research (2004) states that prove accrual components can increase the performance in predicting future cash flows. Therefore, this research extends to include accrual components in the cash prediction model. **Hypothesis 3**: Aggregate cash flows are incrementally informative beyond accruals components in predicting the future cash flows. Hereinafter, this research extends more with including the components of cash flows from operations (core and non core). The approach to account objectives that assumes set unknown users of financial reports has also assumed that information regarding wealth and or economic transactions of an enterprise is relevant for the many data needs of the users Hendriksen (1977). That is, if information regarding income and financial position is adequately described and presented in financial statements, it is assumed that this

information will be useful without attempting to explain what information is intended to be used for which purposes. A well-informed reader of financial statements is assumed to be able to select the information he needs and made adequate decisions from the information presented.

Recently, this general assumption of usefulness has been challenged on the grounds that accountants need to know more about what information is needed by specific users of financial statements, as well as more about who these users are and what their objectives are in using the accounting information. This changing emphasis toward the communication of information intended for specific users and for specific purposes has led to a greater refinement of the concept of relevance. SAK through it is framework for the preparation and presentation of financial statements points out that the information has the relevance quality when it influences the user's economic decisions by helping them in evaluating past, present or future events or confirming, or correcting their past evaluation. Thus, to be relevant the information presented in financial statement must fulfill certain criterias: First, The information must have predictive values, it means what is resulted from it has a basic to predict the future. Second, Feed back values, it means that the information must have value to evaluate the previous things. Third, Timeliness is the measurement of timelines when the information content still reflects economic position when the statement is presented (Hendriksen, 1977).

If the accounting information is relevant, it can predict the future activities of the company and can reduce the uncertainty about the variables in decision process,

then it is important to test the ability of cash flow component, as a part of financial statement, to predict future cash flow. So that **Hypothesis 4:** from this research is Cash flows component are incrementally informative beyond accruals components in predicting the future cash flows.

Also written as: $CFO_{t+1} = \alpha + \beta\sum CFO_t + \mu_t$

Where:

$$\sum CFO = \beta_1 C\_SALES_t + \beta_2 C\_COGS_t + \beta_3 C\_OE_t + \beta_4 C\_INT_t + \beta_5 C\_TAX_t$$
$$+ \beta_6 C\_OTHER_t$$

From equation above researcher decides level of significant is 5%, we can see the difference from coefficients significantly to decide criteria of rejecting Ho. If the level significant of coefficients regression are different so reject Ho, it means the ability from core cash flows components from operations are different with non- core cash flows components in predicting the future cash flows.

The variables are defined as:

CFO = Net cash flow from operating activities less the accrual portion of extraordinary items and discounted operations reported on the statement of cash flows.

C_SALES = cash flows from sales are calculated as sales minus change in accounts receivable.

C_COGS = cash flow from cost of goods sold is calculated as cost of goods sold minus (change in inventory minus change in accounts payable).

C_OE = cash flow from operating and administrative expenses are calculated as operating expenses minus change in Net Operating Working Capital excluding changes in accounts receivables, inventory, tax payable and interest payable.

C_INT = cash flow related to interest payment.

C_TAX = cash flow related to tax payments.

C_other = cash flows related to other revenue/ expenses items including special and extraordinary items are calculated as cash flow from operations minus all other cash flow components (i,e; cash flows related to sales, COGS, operating expenses, interest and taxes).

Third hypothesis (H3) used to know the ability cash flow from operations with including accrual components to predict the future cash flows. To test the third hypothesis (H3), this research is used multiple regression approach.

CHAPTER IV

RESEARCH FINDINGS AND DISCUSSIONS

This chapter will explain about the results of data analysis based on the variables that reearcher used in this research in linear regression model. Which is explained in previous chapter, this research use one dependent variable that is future cash flows from operations and some of independent variables that is aggregate cash flows from operations in current year, components core (related with sales, cost of good sold, and operating and administration expense) and non core cash flows (related with interest payment, taxes payment, and other expense) and components accruals cash flows (account receivable, account payable, inventory, depreciation expense, amortization expense and others).

Population in this research is manufactured companies which are selected as samples in this research are obtained 395 companies that can fulfill the requirement that would become the variables in this thesis. The companies were listed in JSX at the period of 1995-2002 with the appropriate data and the completeness of the data for the research requirements. Sample deciding from this research are using purposive sampling. Since this research use pooled cross-section method, the amounts of the companies that can fulfill the criteria are not the same from one to another period. In 1995 the amount of the companies used as samples are 79 companies, 1996 the sample are 72 companies, 1997 the sample are 77 companies, 1998 the samples are 66 companies, 1999 the samples are 30 companies, 2000 the samples are 37 companies, and 2001 the samples are 34 companies.

aggregate cash flow from operation beyond the accrual components (account receivable, account payable, inventory, depreciation expense, amortization expense and other earning component). For the **fourth hypothesis**, it was tested by analyzing the significance of the superiority of cash flow component (core and non-core) beyond accrual component. In analyzing the first until the fourth hypotheses, this research also use the dummy variable to distinguish between the year using indirect and direct in presenting the cash flow statement. This research assigns value 0 for the year1995 and 1996 and 1 for year 1997, 1998, 1999, 2000, 2001. If the coefficient is significant (in conformity with the hypothesis alternative), the hypothesis alternative will be accepted. Testing the significance of the regression coefficient from the first until the fourth hypotheses are determined by using probability value of estimated error approach (p-value approach) to observe the significance level of the regression coefficient. The determination of accepting and rejecting Ho is based on the p-value result. If p-value of β from 3.1 until 3.4 equation is greater than the significance level 5% ($\alpha=0.05$), so that Ho is failed to reject. On the other hands, if p-value is smaller than the significant level that is chosen 5% ($\alpha=0.05$), so that the Null Hypothesis (Ho) is rejected. The regression analysis results for each equation are described as following section:

4.2.1 The First Hypothesis to Find the Ability of Cash Flow from Operating Activities to Predict the Future Cash Flows.

After arranging and stacking all of variables needed into one table, the test for the first hypothesis is done by identifying the significance level of aggregate cash flow from operation in the current year (CFO_t) on aggregate cash flow from operation in the future year (CFO_{t+1}). By using the simple regression method p-value result of first linear regression can be described as follow:

TABLE 4.2
RESULT OF THE LINEAR REGRESSION TEST EQUATION 3.1

Independent Variables	Adj. R^2	β_i	t	p-value	Significance level
CFOt	0.043	2,535	4,327	0.000	Significant
DUMMY		-50,377	-0,284	0.777	Not Significant

From table 4.2 shows that the coefficient of CFOt (β) of 2.535. The probability (p-value) is 0.000 at 5% level of significance, it means that CFOt positively affect the amount of CFO_{t+1}. And it means that an increase in one value of CFOt, it will cause the increase amount of CFO_{t+1} by 2.535, holding by other variables constant. For the result of adjusted R^2 which is presented in the test equation 3.1 above, 4.3% of dependent variable (CFO_{t+1}) can be explained by independent variables (CFO_t and DUMMY) and the rest will be explained by other variables that unknown

4.2.3 The Third Hypothesis to Prove that Aggregate Cash Flows Are Incrementally Informative Beyond Accruals Components in Predicting Future Cash Flows

This research was done by identifying the aggregate cash flow and accruals components on future cash flows. It means in Third Hypothesis try to include the accruals component (Account Receivable, Account Payable, Inventory, Depreciation, Amortization, and Others). The result of the testing displayed in table 4.4:

TABLE 4.4
RESULT OF THE LINEAR REGRESSION TEST EQUATION 3.3

Independent Variables	Adj. R^2	β_i	t	p-value	Significance level
CFO	0.149	3.093	2.205	0.028	Significant
AR		2.572	1.955	0.052	Not Significant
AP		4.160	0.244	0.807	Not Significant
INV		2.336	1.511	0.132	Not Significant
DEP		1.395	0.824	0.411	Not Significant
AMORT		2.097	4.663	0.000	Significant
OTHERS		1.439	1.150	0.251	Not Significant
DUMMY		-95.001	-2.780	0.006	Significant

Table 4.4 shows the coefficient (β_i) and p-value result of all variables. From that table, we can see that 14.9% of dependent variable can be explained by independent variables and the rest 85.1% will be explained by other variable that we do not know. This value is consistent with what of Hollie and Cheng stated in the research which they reported that an adjusted R-square of 34.27%. That table also shows that CFOt, AMORT and DUMMY are significant to the hypothesis alternative (Ha). Different with Hollie and Cheng, who found that the coefficient for CFO has

INV		3.698	2.012	0.045	Significant
DEPR		-3.378	-1.818	0.070	Not Significant
AMORT		-5.478	-2.603	0.010	Significant
OTHERS		3.663	2.006	0.046	Significant
DUMMY		-198.912	-2.423	0.016	Significant

Table 4.5 shows all components of cash flow are significant, except COGS and this is in different with the statement of Hollie and Cheng (2004). They stated only TAX are not significant but in this research tax was significant. For the component of accrual, only AR and DEPRE are not significant while the rest are significant. the coefficient (β_i) of all independent variables SALES, COGS, OE, INT, TAX, OTHER, AR, AP, INV, DEPR, AMORT, OTHERS, DUMMY respectively were 6.286, 1.283, 3.892, 4.279, 4.296, 3.773, 3.590, -3.378, -5.478, 3.663 and -198.912. The coefficients of cash flow components have different sign to those reported in equation (2) but. when we add accrual components, SALES and OE become higher and only COGS becomes smaller. For example, coefficients of the core items (SALES and OE) increase from (1.954 and 1.311) to (6.286 and 3.892) while only COGS decrease from 2.793 to 1.283. Coefficient of INT, TAX and OTHER also increase from (1.294, 1.534 and 1.704) to (4.279, 4.296 and 3.773). This is not the same with the result of Hollie and Cheng's research (2004). The result from their research shows that all cash flow components become larger when they add accrual components. They stated that by adding omitted variables it will improve the performance model and the impact on coefficients of the original variables can be either positive or negative depend on whether the significance of the original

positive signs to the future cash flows except from INT and TAX. This research implies that AICPA recommendation that firms should distinguish between the financial effects of a company's core (major or central operations) and non-core (peripheral or incidental activities) cash flows which can be implemented in Indonesia. That recommendation is based on the reason that by distinguishing cash flow into core and non-core component, it can present the best possible information in which to analyze trends in a firm without the potential distortive effects of non-core activities.

The evidence that the aggregate cash flows are incrementally informative beyond accrual component in predicting future cash flow can be proved by the equation of 3.3. CFO variable can give the positive coefficient to the dependent variable and the p-value is also significant to alternative hypothesis. Even though AP variable gives higher coefficient compare than CFO, not all accrual components can give significant value to the dependent variable. This is in accordance with Hollie and Cheng who stated that current year cash flows would persist to the next year's cash flows once effects of accrual components are controlled.

The analysis result of equation 3.4 shows that the cash flow components are incrementally informative beyond accrual components in predicting future cash flows. We can see from the p-value of significant and coefficient. From the p-value of significant, shows that almost all cash flow components are significant to dependent variable, except COGS. Meanwhile, almost all accrual components are significant to the dependent variable, except AR and DEPRE variables.

41	PT. Tira Austenite Tbk.	TIRA
42	PT. Texmaco Perkasa Engineering Tbk.	TPEN
43	PT. Tri Polyta Indonesia Tbk.	TPIA
44	PT. Muti Agro Persada Tbk (Trafindo Perkasa)	TRPK
45	PT. Tunas Ridean Tbk	TURI
46	PT. Wahana Jaya Perkasa (Ugari) Tbk.	UGAR
47	PT. Unggul Indah Cahaya Tbk.	UNIC
48	PT. United Traktor Tbk	UNTR
49	PT. Voksel Electric Tbk.	VOKS
50	PT. Ades Alfindo Putra Setia Tbk.	ADES
51	PT. Argo Pantes Tbk.	ARGO
52	PT. Century Textile Industry (Centex) Tbk.	CNTX
53	PT. Eratex Djaja Ltd Tbk.	ERTX
54	PT. Fast Food Indonesia Tbk.	FAST
55	PT. Great River International Tbk.	GRIV
56	PT. Hanjaya Mandala Sampoerna Tbk.	HMSP
57	PT. Multi Bintang Indonesia Tbk.	MLBI
58	PT. Prasidha Aneka Niaga Tbk.	PSDN
59	PT. Sari Husada Tbk.	SHDA
60	PT. Sinar Mas Agro Resources and Technology (SMART) Coorporation Tbk.	SMAR
61	PT. Tekstile Manufacturing Company (texmaco) Jaya Tbk.	TEJA
62	PT. Ultrajaya Milk Industry & Trading Company	ULTJ
63	PT. Aqua Golden Mississippi Tbk	AQUA
64	PT. BAT Indonesia Tbk.	BATI
65	PT. Davomas Abadi Tbk.	DAVO
66	PT. Evershine Textile Industry Tbk.	ESTI
67	PT. Gudang Garam Indonesia Tbk.	GGRM
68	PT. Panasia Indosyntec Tbk (Hadtex)	HDTX
69	PT. Indofood Sukses Makmur Tbk.	INDF
70	PT. Miwon Indonesia Tbk.	MWON
71	PT. APAC Centertex Corporation Tbk.	MYTX
72	PT. Roda Vivatex Tbk.	RDTX
73	PT. Sekar Laut Tbk.	SKLT
74	PT. Suba Indah Tbk.	SUBA
75	PT. Teijin Indonesia Fiber Corporation (TIFICO) Tbk.	TFCO
76	PT. Asahimas Flat Glass Co.	AMFG
77	PT. Branta Mulia Tbk	BRAM
78	PT. Budi Acid Jaya Tbk	BUDI
79	PT. Dankos Laboratories Tbk	DNKS
80	PT. Ekadarma Tape Industries Tbk	EKAD
81	PT. Alakasa IndustrindoTbk	ALKA

No	Code	V1	V2	V3	V4	V5	V6	V7	V8
29	ASGR	97,46168	61,562047	2004,090295	1059,2982	4852,281	1012,0805	883,8573	-9714,15
30	BRAM	54,05548	137,98969	1073,043735	874,4585	-473,788	26,614706	0	-1446,27
31	BUDI	106,4289	16,833245	1342,505495	-965,3117	348,3449	0	0	-619,11
32	BYSP	-938,688	124,57001	4468,285121	3205,6123	162,6864	0	0	-8775,27
33	DPNS	5523,989	19556,803	5328,636939	3890,1645	100,8645	0	0	-3795,68
34	DVLA	514,2834	9,2850972	1958,216382	124,88749	1780,288	0	0	-3349,11
35	DYNA	1572,897	396,69984	10098,9567	492,47814	5685,542	0	0	-14704,1
36	EKAD	803,0867	2254,0328	1122,322958	1459,691	13862,98	0	0	-15641,9
37	EPMT	-155,39	49,939536	2539,433954	1,2954168	2597,73	0	0	-5293,85
38	GJTL	11,89295	1275,9445	279,6628895	1,8345742	23,13477	0	0	-292,739
39	HEXA	-91,664	294,40992	8247,128657	2378,747	1094,735	0	0	-11812,3
40	IGAR	194,0726	669,73799	218,8019027	709,68899	2721,445	0	0	-3455,86
41	IKBI	241,5406	-67,040473	2000,781949	366,05912	1181,143	0	0	-3306,44
42	INAI	-133,602	116,13412	7242,578644	1305,3575	815,6532	0	0	-9497,19
43	INCI	477,2203	112,97256	46288,74784	-9603,853	594,4286	0		-36802,1
44	INDS	632,3045	806,78119	77188,87033	2887,8307	-7514,1	12377,544	28065,47	-112373
45	INTA	-179,791	-1597,2331	7162,215225	-49201,49	10495,12	0	0	31364,36
46	INTD	-121,328	-14,049906	1447,277556	1460,0743	208,5958	0	0	-3237,28
47	INTP	5,971701	6389468	480,4706765	8,1213333	49,81216	0	0	-532,432
48	ITMA	170,4804	-782,07971	11746,43978	4120,4	5785,491	0	0	-21481,9
49	JECC	-53,9195	312,74673	10743,08457	2936,2456	70,48021	0	0	-13803,7
50	JPRS	1855,443	1893,4503	106535,0264	3911,0421	11817,08	0	0	-120408
51	KBLI	-225,341	18643,078	516,5855864	92,979163	342,8215	0	0	-1177,73
52	KBLM	176,9589	112,91875	71,50975511	940,47555	3080,659	0	0	-3915,69
53	KIAS	30,66591	12550,692	326,8249702	3950,957	5389,982	0	0	-9637,1
54	KICI	-13,0027	783,82077	5152,835565	62,315798	5613,977	0	0	-10842,1
55	KOMI	157,8824	2347,7746	1637,394147	194,61621	4500,947	0	0	-6175,08
56	KONI	-49,3607	442,0676	3022,68989	1231,9873	45223,72	0	0	-49527,8
57	LION	-189,091	1,5956998	5739,910159	1408,6616	162002,3	0	0	-169340
58	LMPI	27,17954	49,394206	1876,070297	44,251706	17110,37	0	0	-19003,5
59	LMSH	-81,256	1310,2516	9981,119906	1700,7283	56957,88	0	0	-68721
60	MDRN	146,4843	144,50768	1510,539371	54,024796	1961,388	1223,5626	63,19318	-4666,22
61	MERK	157,1452	475,36592	1448,219405	13171,429	502,1092	26,904913	168,0944	-15159,6

75	TRPK	425,87577	-54,79284	468,04992	-148,95455	1561,72145	53,55771	2805,559
76	TURI	551,52327	-38,47106	-433,46426	-86,157348	585,839899	42,91196	1020,887
77	UGAR	0,8299115	-	2,20986977	-0,629176	0,41617259	0,62676397	0,026045	-4,94021
78	UNTR	389,5211	-39,750325	42,646166	-91,807797	447,248796	43,81076	1080,944
79	VOKS	287,61283	-109,67852	5,1966245	135,977583	227,376617	1034,012	1540,395

No	Code									
30	BUDI	-54,0525	3116,0337	5616,598429	4155,7719	203,721	0	0	0	-10030,1
31	BYSP	1,354915	15141,04	1233,736945	960,72174	2755,748	0	0	0	-4948,85
32	DNKS	3224,698	72,223647	4695,150186	2207,9482	1565,27	0	0	0	-39023,3
33	DPNS	-51488	1071,5348	513,5334987	2870,1958	850,0072	0	0	33779,58	-55721,7
34	DVLA	158,9079	3131,4416	490,3486809	-263,23	-211,22	0	0	0	135,8859
35	DYNA	93,46178	1159,9148	4490,690205	3258,9402	62,65984	0	0	7,123405	-310,884
36	EKAD	79,49936	-94,321646	830,7763418	591,17178	99,35316	0	0	0	12489,66
37	EPMT	14310,21	266,50598	168,5493315	1458,6792	193,3292	0	0	0	-1441,8
38	GJTL	-0,4623	349,75521	170,0955895	128,03129	12,29474	0	0	0	-41,0684
39	HEXA	214,0205	566,83643	501,4991493	-371,0051	124,5948	0	0	0	-310,884
40	IGAR	3041,351	1444,4975	856,4197124	687,3634	79,31513	0	0	48521,91	-47103,7
41	IKBI	997,265	1844,5924	1633,977099	1465,422	105,6665	0	0	0	-2207,8
42	INCI	329,0675	-512,32659	537,1016374	3444,4073	113,5424	0	0	0	-3765,98
43	INDS	41468,97	3035,9897	486,9932044	-342,1145	-517,832	17929,281	3656,897	0	20255,75
44	INTA	-88,6884	191,73667	105,8744955	73,572638	13,74332	0	0	0	-281,879
45	INTD	-4666,33	611,02693	2023,226048	1596,0828	396,0547	0	0	0	-8681,69
45	INTP	128,5224	73,985662	235,7019451	135,49768	2,073671	0	0	0	-244,751
47	ITMA	91,98788	31477,899	42,8835636	36,552953	38,27245	0	0	0	-25,7211
48	JECC	307,7906	375,8168	776,1634402	673,87823	62,57972	0	0	0	-1204,83
49	JPRS	-11658,8	-2689,9028	496,6017453	4597,6443	453,4447	0	0	0	-17206,5
50	KBLI	9,57774	-37,200949	150,5887693	144,82635	225,9168	0	0	0	-511,754
51	KBLM	36201,58	5787,2376	481,5890521	420,20081	314,2955	0	0	0	-195,367
52	KIAS	47,04222	-5642,7499	117,1392615	87,993313	37,27707	0	0	0	34985,5
53	KKGI	-169726	37,151664	603,8695449	420,03922	476,0379	0	0	0	-171226
54	KONI	-1365,82	-22,946491	5815,85286	1090,9744	1090,974	0	0	0	-9363,62
55	LION	3937,665	866,13386	4983,49593	3377,6031	1352,184	0	0	0	-5775,62
56	LMPI	490,1529	2895,1965	303,5492139	1352,184	-30,9808	0	0	0	441,3316
57	LMSH	-6137,45	-141,34995	813,0075818	653,05143	5678,645	0	0	0	-13282,2
58	MDRN	30,34831	2142,8216	896,7167895	683,57882	116,3572	0	16961,438	33579,21	-52207
59	MERK	-1719,59	-3,070846	1357,384303	-442,2858	-603,394	0	439,6646	87,9304	-2558,89
60	MLIA	-3,56774	32,530878	151,3730725	98,246299	18,8519	0	0	0	-272,039
61	MLPL	597,8787	-4,1513788	573,6632169	391,59104	1512,845	0	0	0	-1880,22
62	MTDL	174,7913	508,12896	7839,569643	641,8943		0	0	0	-14841,7

14	INDF	-1,5186325	-55,869612	17,447542	-15,42965	27,395623	27,39562	38,326
15	MLBI	13,61824	-33,870364	-2,7857755	-30,474617	36,6939489	0	12,933
16	MWON	-46,100596	-370,21963	794,59963	-427,54612	271,445526	33,66439	1803,87
17	MYRX	-1132,0217	-549,15841	809,1892	324,662614	196,909979	57,6198	258,9435
18	MYTX	-298,85227	-289,44913	248,73523	-458,48013	232,534202	15,66678	969,0424
19	PSDN	-65,561747	-1483,4391	54,767469	-484,94268	96,8107424	34,56723	2251,258
20	RDTX	36,500444	120,592692	10818,3	-1459,9267	884,814882	-626,334	12365,23
21	SMAR	-0,5208336	-41,356796	5,0546182	-4,4963543	33,4737371	33,47374	111,6181
22	SHDA	1742,4189	-1613,5894	3823,2869	574,364638	537,526508	453,3635	6307,146
23	SKLT	-451,42722	609,220983	-31063,703	-2851,1181	593,051027	224,0776	-28550,3
24	TFCO	-22,828906	-29,016135	453,32662	-35,207637	133,837726	608,1562	616,8784
25	ULTJ	44,602931	-1648,6066	1643,414	-791,80672	9781,88937	298,9056	13736
26	AKPI	-27,880798	-381,14306	716,38002	-92,941521	32,2618164	1772,15	3442,17
27	AMFG	-16,293698	-12,585257	-5,6833424	-3,9047075	39,5512299	2,440047	4,678247
28	ASGR	-47,338627	-1179,3637	122,55819	-652,05911	137,204561	137,2046	31697,37
29	BRAM	16,798804	-450,37478	196,77706	-398,28876	258,097971	93,67142	1184,815
30	BUDI	-256,82203	-1092,1159	682,34312	-5149,9734	39,12858	21,35878	6782,15
31	BYSP	5,6875706	-3158,1351	701,35398	-562,79933	147,634298	147,6343	4721,89
32	DNKS	98,748797	-608,74628	-747,15224	-10659,517	2821,05121	2252,228	12468,44
33	DPNS	116,16149	-220,02691	12278,754	-6279,6553	16487,8786	2076,288	88946,72
34	DVLA	-59,706095	7,20629822	-11,534882	-56,934429	12,2236896	3,486436	-164,711
35	DYNA	56,083616	-42,58082	60,224845	-347,60264	46,0724573	39,99074	499,0933
36	EKAD	476,61135	1554,90686	98631,779	7691,56534	272,608924	0	90055,03
37	EPMT	-90,007013	-154,02333	143,03084	-144,7553	165,551381	165,5514	-13627,3
38	GJTL	-3,9743881	-23,779813	5,25355512	-20,759822	15,8591407	0	62,14024
39	HEXA	-64,994463	-34,621396	72,214752	-162,67192	1077,67922	204,8164	1272,989
40	IGAR	1942,3206	134,655986	13595,221	-54567,972	5981,58157	4428,029	77339,12
41	IKBI	-2495,6722	-4550,528	235,02704	68339,2892	5882,50351	0	-61164,2
42	INCI	201,84399	-1724,1	203,47528	-339,342	3748,1041	556,7575	6444,555
43	INDS	192,55688	-3345,0599	1786,5639	-235,73278	1880,98135	1760,191	-32267,9
44	INTA	11,188044	-24,014091	66,672065	-276,24338	17,953858	22,3771	507,1369
45	INTD	-361,73045	373,750561	-34,990649	146,787412	26,2745192	0	3775,346
45	INTP	-56,640955	8,21251947	18,892193	-9,1428083	43,5593437	0	-121,782

63	TIRA	-3.46513	913.59543	835.6332011	4483.8148	1766.425	0	0	-7089.34
64	TOTO	2092.591	7237.0668	606.7209419	343.73448	87.1811	432.78393	44.47375	577.6968
65	TPIA	1951.619	-4.4827861	5082.075683	4102.6215	315.2515	0	0	-7548.33
66	VOKS	1891.789	28.778279	622.1424289	5432.0103	505.1676	0	0	-4667.53

DATA ACCRUALS COMPONENTS 1998

No	CODE	EARN	A_AR	A_AP	A_INV	DEPRE	AMORT	OTHERS
1	ADES	-2729.0086	38.1105556	-47.458911	-258.47598	94.1601849	2459.983	-2943.58
2	AQUA	108.48419	-139.48927	-9.1649965	-3933.9622	110912.118	66.64561	114034.5
3	ARGO	-267.88288	-15.908971	60.7366655	-31.256728	13.3478965	0	-231.574
4	BATI	39.407414	-2.2078857	29.007306	-105.00962	15.3015647	1.526439	142.4384
5	DAVO	-96.168296	-40.107559	-35.446743	-58.996747	62.9157242	1909.386	1236.697
6	ERTX	621.45654	-716.60768	624.13831	-2071.5072	1693.04216	437.2619	5491.426
7	FAST	-147.48198	-2.0672259	-2.0672259	-57.260049	39.8040132	88.77025	-25.928
8	GRIV	-107.4193	767.802379	197.09571	-126.44381	340.21613	117.4567	-291.299
9	HDTX	-203.5878	-29.914517	-273.81256	-20.106296	33.9015672	9.676265	-35.3963
10	HMSP	89.840291	-7.3242395	2.9701659	-46.367323	0.02050209	2.488698	32.69003
11	INDF	13.549218	-216.7929	-39.803867	-50.293375	2.53580369	2.535804	235.4707
12	MLBI	64.815773	38.3363282	-1.0034426	-55.38053	52.0793384	-15.4633	-160.333
13	MWON	-210.23278	298.066019	180.27587	-936.233343	410.072753	851.9116	59.35976
14	MYRX	-169.28012	210.567706	80.605461	19.6085008	223.316952	471.4453	43.92308
15	MYTX	-179.57763	22.3751921	36.270918	-52.965247	21.6187834	1153.473	849.9982
16	PSDN	-2813.8545	133.805311	-25.95115	-205.45176	166.609339	391.9787	-2253.11
17	RDTX	1149.998	28.0124861	-16822.732	-409.21591	763.183844	-501.596	-17589
18	SHDA	41.935135	-452.15473	-14420.909	-705.15068	479.29489	1422.132	-10986.9
19	SKLT	-631.31636	721.70334	12500.605	-38626.225	739.91334	1552.079	50863.32
20	TFCO	11.478143	-23.212615	44.04485	-235.39698	1706.05508	28.91598	1989.451
21	TEJA	-16.349491	178.57555	113.79868	-511.07542	380.514382	622.8092	1418.219
22	AKPI	-81.02622	23.459971	-36.840641	-24.268626	61.5862692	3.37228	-151.693
23	ALKA	-726.9913	44.9830411	-78.514046	53.6612394	25.2296279	8.972824	-1108.39
24	AMFG	63.331529	-153.49425	-6.7012173	-630.99267	458.14102	15.22503	481.0171

58	SCPI	-2376,7683	-326,95065	18534,344	-64440,523	33174,8605	0	111860,8
59	SMCB	-24,596782	-22,951804	-3,5357612	-13,894312	25,9051681	15,6015	10,74368
60	SMGR	42,590284	-13,341829	11,144614	-47,652929	36,499587	1,850866	100,4737
61	SOBI	-112,70274	-3,4653206	1,00074	-65,355026	16,4686696	0,048876	-56,7528
62	TBMS	197,39449	192,938462	865,37383	683,30873	103,400185	0	82,33814
63	TIRA	-7079,9192	3471,95806	-3784,8231	2992,64751	16428,5838	0	-897,299
64	TOTO	-561,72495	-41,11323	365,81917	-277,04723	528,748959	0	-1441,59
65	TPIA	-275,36469	648,91014	139,91203	-188,47009	241,240031	0	-2306,27
66	VOKS	-438,22175	-136,3057	-107,71652	-240,10417	27,2092394	540,1626	-1493,95

25	INDS	-81,479956	-49,755128	3,0205751	129,575106	17,1899006	0	-31721,4
26	JECC	-152,01795	317,425899	189,38678	-103,95191	62,9142004	0	-158,371
27	KONI	-27,764572	2,83877757	1,9156774	28,607671	16,1657125	0	-20770,6
28	LION	168,95787	-101894,87	-19809,788	147,682579	17,5585424	0	80656,16
29	LMPI	-96,524433	21,4539621	16,170832	155,551797	34,9100573	0	-250,369
30	LMSH	-19,377935	109,629114	61,011426	157,129717	28,601022	0	-150251
31	MDRN	-78,326354	14,2879807	-249,15729	7,48169972	45,6257691	2,781926	-391,975
32	MERK	542,13245	55,6551799	-32,742237	30,7014381	13,7595558	0,630767	132,3247
33	MTDL	381,02382	-24,742531	373,14107	440,172804	107,279194		-1496,06
34	SCPI	-98,222733	13,6622951	-7,013933	-140,56055	44,866477	0	22283,43
35	SMCB	-941,64947	-23,975637	14,035618	-1,1814097	49,418203	0	-897,517
36	SMGR	59,180941	-0,4392845	4,5204226	-45,711273	2,35896902	2,683315	41,62184
37	TBMS	6,5352973	312,597633	159,06056	-124,94103	11706,203	0,001569	10687,32

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	312,168	52,439		5,953	,000
	SALES	6,286E-02	,018	1,211	3,404	,001
	COGS	1,283E-02	,023	,058	,556	,578
	OE	3,892E-02	,018	,625	2,209	,028
	INT	4,279E-02	,021	,254	2,084	,038
	TAX	4,296E-02	,019	,320	2,264	,024
	OTHER	3,773E-02	,018	1,507	2,056	,041
	AR	3,590E-02	,019	,980	1,935	,054
	AP	-3,92E-02	,018	-1,489	-2,144	,033
	INV	3,698E-02	,018	1,671	2,012	,045
	DEP	-3,38E-02	,019	-,557	-1,818	,070
	AMORT	-5,48E-02	,021	-,255	-2,603	,010
	OTHRS	3,663E-02	,018	3,325	2,006	,046
	DUMMY	-198,912	82,080	-,123	-2,423	,016

a. Dependent Variable: CFOTP1